Financial Statements of

ASSOCIATION OF PART-TIME PROFESSORS OF THE UNIVERSITY OF OTTAWA PENSION PLAN (1991)

Year ended December 31, 2022

ASSOCIATION OF PART-TIME PROFESSORS OF THE UNIVERSITY OF OTTAWA PENSION PLAN (1991)

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Year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of the University of Ottawa

Opinion

We have audited the financial statements of Association of Part-Time Professors of the University of Ottawa Pension Plan (1991) (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its changes in net assets available for benefits and its changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 27, 2023

ASSOCIATION OF PART-TIME PROFESSORS OF THE UNIVERSITY OF OTTAWA PENSION PLAN (1991)

Statement of Financial Position

December 31, 2022, with comparative information for 2021

		2022		2021
Net Assets Available for Benefits				
Investments (note 4)	$	13,587,206	$	14,707,230
Contributions receivable from members		65,601		71,336
Contributions receivable from sponsor		65,601		71,336
		131,202		142,672
Liabilities				
Due to plan members		-		-
Net assets available for benefits	$	13,718,408	$	14,849,902
Pension Obligations				
Pension obligations - defined contribution	$	13,718,408	$	14,849,902

See accompanying notes to financial statements.

Approved by the Board of Governors:

[SIGNED] ______________________ Governor

[SIGNED] ______________________ Governor

ASSOCIATION OF PART-TIME PROFESSORS OF THE UNIVERSITY OF OTTAWA PENSION PLAN (1991)

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2022, with comparative information for 2021

		2022		2021
Increase in Assets				
Investment revenue:				
Interest and dividends	$	35,269	$	33,742
Increase in market value of investments		-		1,654,969
		35,269		1,688,711
Contributions:				
Members - current service		696,482		689,766
Sponsor - current service		696,482		689,766
		1,392,964		1,379,532
Total increase in assets		1,428,233		3,068,243
Decrease in Assets				
Decrease in market value of investments		1,646,187		-
Reimbursements and transfers		913,540		1,020,720
Total decrease in assets		2,559,727		1,020,720
Net increase (decrease) in net assets available for benefits		(1,131,494)		2,047,523
Net assets available for benefits, beginning of year		14,849,902		12,802,379
Net assets available for benefits, end of year	$	13,718,408	$	14,849,902

See accompanying notes to financial statements.

1. Description of Plan:

The net assets are owned by the Association of Part-Time Professors of the University of Ottawa Pension Plan (1991) ("Plan"), which is registered under the Ontario Pension Benefits Act, 1987 (Registration # 0683177). The Plan is a contributory defined contribution pension plan under which contributions are made by the Plan members and the University of Ottawa.

For additional information, reference should be made to the regulations of the Plan.

In accordance with the Plan document, members contribute 7% of their pensionable earnings. The sponsor matches the members' required contributions.

The maximum annual contribution that the member and the sponsor can contribute to the member's pension account is the lesser of 18% of the member's earned pensionable income or $30,780 (2021 - $29,210).

There has been no change in this policy during 2022.

2. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared in accordance with Canadian accounting standards for Pension Plans in Part IV of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook applied with the significant accounting policies summarized below.

Since the change in the pension obligation for the period is equal to the change in net assets available for benefits for the period, a statement of changes in pension obligations has not been presented.

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the sponsor and Plan members. They are prepared to assist Plan members and other parties in reviewing the activities of the Plan for the period.

(b) Financial instruments:

Financial assets and financial liabilities are recognized initially on the trade date, date upon which the Plan becomes a party to the contractual provisions of the instrument.

All investments are held in segregated funds and are recorded at fair value.

Receivables, refund of contributions and other accounts payable and accrued liabilities have been classified as loans, receivables and other liabilities and measured at amortized cost using the effective interest rate method. The fair value of these financial instruments approximates their carrying values due to their short-term maturity.

(c) Contributions:

Contributions for current service are recorded in the year in which the related payroll costs are incurred. Contributions for past service are recorded in the year received.

2. Significant accounting policies (continued):

(d) Reimbursements and transfers:

Reimbursements and transfers include payments to retired members made during the year and accrual, if any, for unpaid but earned benefits as at year end, and member’s withdrawals that are recorded in the period in which the member has elected for payment.

(e) Investment revenue:

Investment revenue, which is reported on an accrual basis, includes interest and dividends.

(f) Increase (decrease) in market value of investments:

This amount consists of the net realized gains and losses on sales of investments and the change in unrealized gains and losses. Net realized gains and losses on sales of investments represent the difference between proceeds received and the average cost of investments sold. The change in unrealized gains and losses represents the difference between the fair value and the cost of investments at the beginning and at the end of each year, adjusted for realized gains and losses in the year.

(g) Use of estimates and judgments:

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements. The main estimates used are the fair value of investments. Actual results could differ from those estimated.

(h) Income taxes:

The Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

3. Capital management:

The Plan’s capital consists of the net assets available for benefit. The Plan’s capital is invested according to decisions made by each participant in the Plan. Upon retirement, the retirement pension will consist of all contributions made, increased by the investment revenue. During the year, the Plan has complied with the investment requirements.

The Plan's Statement of Investment Policies and Procedures (SIP&P) sets out the Plan's investment framework. This SIP&P is unchanged from the prior year.

The Plan administrator is responsible for the implementation of the SIP&P and for monitoring the various risks to which the investment portfolio is exposed. It defines eligible investments and the asset mix of the Plan.

The Plan administrator will, from time to time, review the appropriateness of the investment funds being offered to ensure they can meet the risk/reward profiles of plan members.

4. Investments:

Segregated Funds:	2022 Fair value	2021 Fair value
Discretionary	$ 7,134,064	$ 7,357,856
Balanced	1,881,709	2,078,952
Canadian equity	1,712,955	1,878,185
U.S. equity	1,116,016	1,421,927
Guaranteed interest accounts	595,758	673,388
Fixed income	576,363	649,902
International equity	552,456	619,839
Canadian money market	17,885	27,181
	$ 13,587,206	$ 14,707,230

(a) Establishing fair value:

The fair value of the segregated funds is based on the unit value reported by the funds at year-end. The funds establish the values of each by adding the fair value of all securities, both equities and fixed income securities, held by the funds and divided by the total units issued by the fund.

(b) Fair value disclosure:

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair value disclosure:

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

All investments are classified as Level 2. During 2022, there have been no transfers between the levels.

4. Investments (continued):

(c) Financial risk management:

Members of the Plan are exposed to several financial risks as a result of holding investments. There has been no change to the Plan's risk exposure from the previous fiscal period.

Investments are exposed to foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. Each of the exposures to financial risks is concentrated in the investment holdings and is managed by the respective underlying fund manager. Each fund offered within the Plan has policies, procedures, and recommended parameters to monitor these risk exposures.

Members of the Plan select their own investments within the fund list provided, and thus manage the level of risk they wish to take based on their selection.

The Pension’s financial risks have increased during the year due to rising interest rates, inflation and market fluctuations. Management believes that these financial risks are appropriately mitigated and do not pose significant risk to the Pension’s operations. There have been no significant changes in the policies, procedures, and methods used to manage these risks in the year.

5. Administrative expenses:

The University provides certain administrative services to the Plan without consideration as agreed to by the parties.